Package for SEZs

510. SHRI NANA DESHMUKH: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether his Ministry proposes to give incentive package for Special Economic Zones in a bid to maintain the export growth momentum during the second half of the fiscal year;

(b) if so, the details thereof; and

(c) by when this package scheme is likely to be announced?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) to (c) The policy relating to SEZs are under constant review in consultation with trade and industry and improvements are brought about from time to time as considered necessary. Some of the major incentives recently announced for Special Economic Zones (SEZs) include 100% income tax exemption for 3 consecutive years and 50% for next 2 years to off-shore banking units set up in Special Economic Zones, permission to carry forward losses and Income Tax exemption to the extent of 50% of ploughed back profits to SEZ units and treating supplies from domestic tariff area to SEZ at par with physical exports for the purpose of income tax exemption.

Increasing the Cap of FDI

511. SHRI K. RAMA MOHANA RAO: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether it is a fact that Government are seriously considering a proposal to make 76 per cent as the maximum allowable FDI in any sector;

(b) whether the proposed move would take effect retrospectively or prospectively;

(c) the other entry level conditions that Government are thinking of removing; and

(d) whether Government are also thinking of removing mandatory divestment condition; if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI CHENNAMANENI VIDYA SAGAR RAO): (a) to (d) Government has put in place a liberal FDI policy wherein most sectors are open to FDI upto 100% under the automatic route subject to conditions, if any, prescribed for the relevant sector. The FDI policy,

including sectoral caps and entry level conditions, is reviewed on an ongoing basis. Presently, no proposal to make 76% as the maximum allowable FDI in any sector *or* for removing entry level & mandatory divestment conditions is pending for decision with the Government.

Free Trade Area between India and China

512. SHRI K. RAMA MOHANA RAO : Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether India and China are going to set up a free trade area;

(b) whether it is also a fact that the proposed joint Study Group on economic co-operation would identify the areas of trade in goods, services, investment and joint production ventures;

(c) the annual trade, in terms of dollars, between India and China during the last five years; year-wise;

(d) whether it is a fact that Government have set up a trade target of US dollars 10 billion by 2004; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) Government has not taken any decision.

(b) The Joint Study Group (JSG) would examine the potential complementarities between the two countries in expanded trade and economic cooperation. The JSG would also draw up a programme for the development of India-China trade and economic cooperation for the next five years, aimed at encouraging greater cooperation between the business communities of both sides.

(c) Details about India-China trade during the last 5 years are as under:—

(US$ million)

	1998-99	1999-2000	2000-01	2001-02	2002-03 (P)
1	2	3	4	5	6
Export	427.15	538.75	828.68	951.95	1961.11
%age growth	-40.51	+26.12	+53.81	+14.87	+106.01
Import	1096.71	1286,70	1492.49	2036.39	2782.50
%age growth	-2.02	+17.32	+15.99	+36.44	+36.64